

## Message Text

LIMITED OFFICIAL USE

PAGE 01 CARACA 05068 052210Z

17

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 /098 W

----- 036774

R 052129Z JUN 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4086

LIMITED OFFICIAL USE CARACAS 5068

E.O. 11652: N/A

TAGS: EFIN, VE

SUBJECT: VENEZUELA'S RESERVES GO DOWN AND UP

1. DURING MONTH OF MAY VENEZUELA'S FOREIGN EXCHANGE HOLDINGS DECLINED \$484 MILLION DESPITE INCREASED EARNINGS FROM PETROLEUM EXPORTS. THE DECLINE, WHICH OCCURRED ALMOST ENTIRELY IN TIME AND SIGHT DEPOSITS HELD IN U.S., IS ATTRIBUTED TO FOLLOWING CAUSES:

(A) THE REVERSAL IN THE INTEREST RATE DIFFERENTIAL WHICH MAKES BORROWING IN VENEZUELA (WITH 9.25 PER CENT PRIME RATE) MORE ATTRACTIVE THAN IN U.S. (WHERE THE PRIME RATE IS IN EXCESS OF 11 PER CENT).

(B) ACCEPTANCE OF GOVERNMENT'S ASSURANCE THAT THERE WILL BE NO REVALUATION THUS CAUSING SPECULATIVE MONEY TO RETURN ABROAD.

(C) CONCERN BY BUSINESS COMMUNITY ABOUT EFFECTS OF GOVERNMENT'S NEW ECONOMIC MEASURES ON BUSINESS CONDITIONS AND IN PARTICULAR ON FOREIGN INVESTMENT CLIMATE.

2. CENTRAL BANK TOOK UNUSUAL STEP OF RELEASING REPORT CARRIED ON FRONT PAGE JUNE 5 EDITION OF EL NACIONAL THAT GOVERNMENT WOULD RECEIVE TODAY (JUNE 5) MORE THAN \$1.1 BILLION IN PAYMENTS FROM OIL COMPANIES WHICH WOULD BRING CURRENT LEVEL OF FOREIGN EXCHANGE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CARACA 05068 052210Z

RESERVES TO ALMOST \$5 BILLION. CREOLE ALONE WOULD PAY BS. 1.8

BILLION. PURPOSE OF GOVERNMENT IN RELEASING THIS INFORMATION WAS PROBABLY TO ALLAY FEARS WHICH COULD BE GENERATED BY END OF MAY DROP IN RESERVES, WHICH SOME PEOPLE WOULD ATTRIBUTE TO UNCERTAINTY CREATED BY GOVERNMENT'S NEW ECONOMIC PROGRAM.

3. LIQUIDITY SITUATION OF BANKS HAS UNDERGONE A COMPLETE TURNAROUND IN LAST COUPLE OF WEEKS FROM BEING ONE OF EXCESS LIQUIDITY TO ONE OF CURRENT TIGHTNESS.

MCCLINTOCK

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, FOREIGN EXCHANGE HOLDINGS, FINANCIAL RESERVES, LIQUIDITY (MONETARY)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 JUN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** cunninfx  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974CARACA05068  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740143-1051  
**From:** CARACAS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740674/aaaactlz.tel  
**Line Count:** 70  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** cunninfx  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 SEP 2002 by boyleja>; APPROVED <13 FEB 2003 by cunninfx>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** VENEZUELA'S RESERVES GO DOWN AND UP  
**TAGS:** EFIN, VE  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005